

ENERGY

FOURTH QUARTER

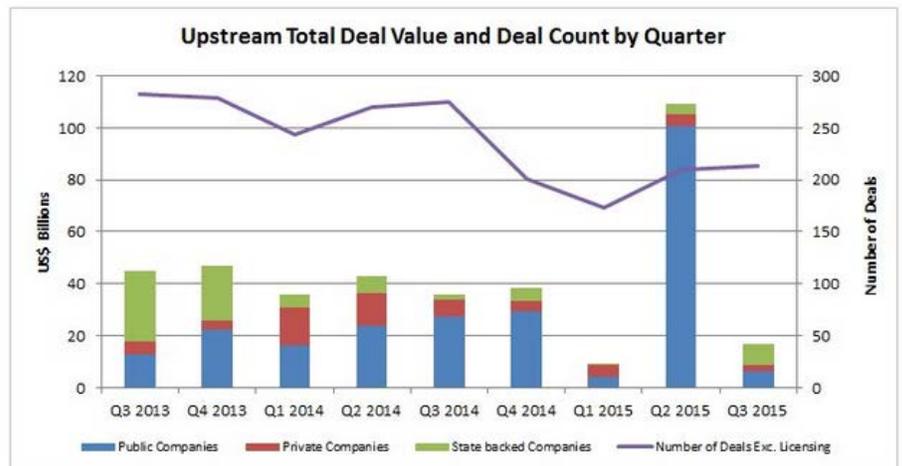
2015

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Energy M&A

M&A activity for North American based target companies in the Energy sector for Q3 2015 included 84 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$306 million.

Despite strong deal year-to-date transaction volume in the energy sector, deal value suffered in Q3 2015. According to a study from industry consulting firm Evaluate Energy, the total value of upstream oil and gas deals reached \$18.2 billion during the quarter, representing a 61% shortfall compared to the average quarterly E&P M&A deal value in the past 6 years (\$46.5 billion). Spending in the oil and gas industry has continued to be restrained by the low oil price, which as per the WTI benchmark averaged \$46.53 in Q3 2015 (as compared to \$57.85 in Q2 2015 and \$48.49 in Q1 2015).



Source: Evaluate Energy

Transactional Overview

September 2015 - EnerVest Ltd acquired Alta Mesa Eagle LLC from Alta Mesa Holdings LP, a portfolio company of Highbridge Principal Strategies Growth Equity, for US\$125 million in cash and contingent payout. EnerVest is an oil and gas company with a solid reputation for delivering consistent returns to investor. Alta Mesa Holdings LP engages in the onshore oil and natural gas acquisition, exploitation and exploration services.

August 2015 - Basic Energy Services Inc. acquired Grey Rock Pressure Pumping LLC for US\$10.2 million in cash. The transaction enhances Basic Energy Services Inc.'s service offerings. Basic Energy Services, Inc. provides a wide range of well site services to oil and natural gas drilling and producing companies, including completion and remedial services, fluid services and well site construction services, well servicing and contract drilling. Grey Rock Pressure Pumping LLC offers a complete line of oil field services. Its services including cementing, acidizing, drilling fluids, fracturing, nitrogen and coil tubing.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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July 2015 - Renewable Energy Group Inc. acquired Imperium Renewables Inc. for US\$30.6 million in cash and stock and US\$5.2 million in assumed liabilities. Renewable Energy Group, Inc. operates as a biodiesel producer, which engages in the production and distribution of biodiesel and related products. Imperium Renewables, Inc. produces biodiesel refining and manufacturing technology services. Its products include B100 Biodiesel and BQ-9000 Producer.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Catarina Midstream LLC	Sanchez Production Partners LP
SL Oilfield Construction Ltd.	Northern Frontier Corp.
Raven Energy LLC	SunCoke Energy Partners LP
Champion Energy Services LLC	Calpine Corp.
Susser Holdings Corp.	Sunoco LP
RKI Exploration & Production LLC	WPX Energy, Inc.
Dew Gathering LLC	Legacy Reserves Operating LP
White Oak Resources LLC	Alliance Resource Partners LP

M&A Trends

M&A activity in the oil-and-gas sector has continued at a strong pace despite a nearly 60% decline in oil prices since early last year. Many of the transactions have been driven by more attractive valuations as a result of the oil price decline. In addition, many smaller companies hit hard by the decline are turning to M&A as a means to stay in business.

Industry Update

The US Interior Department recently removed some of the remaining obstacles to Arctic drilling, albeit with a few caveats. Arctic oil drillers must keep active rigs at least 15 miles from wildlife, which could make transport between drilling sites more burdensome. The Arctic contains about 20% the world's undiscovered oil and gas reserves. Companies, like Shell Oil, can drill into Arctic oil-bearing zones, but not until spill response equipment is available. The equipment needed is currently undergoing repairs and may not be ready until after the arctic drilling season ends. Shell needs spill prevention equipment like a capping stack before the company can drill into the deeper formations, according to The Guardian.

A number of Wall Street analysts are predicting that crude oil is set to stay below \$60 a barrel through next year as the market struggles to recover from over supply. A survey of 13 investment banks by The Wall Street Journal cut their average forecast for Brent crude, the international price gauge, by \$9 to \$58.70 a barrel, compared with last August's survey. For West Texas Intermediate, the U.S. oil marker, the average forecast is for \$54.40 a barrel, also down \$9 from August.

Industry Indicators

- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 30.9 percent and 27.13 percent, respectively, in the week ending October 13, 2015, compared to the same week in 2014.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, fell 45 percent in the week ending October 9, 2015, compared to the same week in 2014.

Collectively, the Energy Practice Group provides M&A advice to independent and integrated energy companies in all sectors of the energy industry, including power generation, oil & gas, utilities, mining and natural resources, renewable energy and businesses that serve the energy industry, in all aspects of oil and gas land-based transactions, mergers, acquisitions, joint ventures and financial resources.

